
WORKFIRST REEXAMINATION WORKGROUP

AN EXAMINATION OF WASHINGTON'S
WELFARE-TO-WORK PROGRAM

OCTOBER 2005

REPORT OF THE WORKFIRST REEXAMINATION WORKGROUP

AS SUBMITTED TO THE PROJECT SPONSORS

PROJECT SPONSORS

Governor Christine O. Gregoire

WorkFirst SubCabinet

Robin Arnold-Williams, Secretary, Department of Social and Health Services (DSHS)

Earl Hale, Executive Director, State Board for Community and Technical Colleges (SBCTC)

Karen Lee, Commissioner, Employment Security Department (ESD)

Victor Moore, Director, Office of Financial Management (OFM)

Juli Wilkerson, Director, Department of Community, Trade and Economic Development (CTED)

WORKGROUP MEMBERS

David S. Harrison, <i>Chair</i>	University of Washington Evans School of Public Affairs, Chair of State Workforce Training and Education Coordinating Board
Jim Crabbe	Director of Workforce Education, State Board for Community and Technical Colleges
Carole Holland	Senior WorkFirst Coordinator, Office of Financial Management
Regina Jones	Governor's Advisor for Welfare and Early Learning
Russ Lidman	Director, Institute for Public Service, Seattle University
Deb Marley	Assistant Secretary, Economic Services Administration, Department of Social and Health Services
Stan Marshburn	Chief Financial Officer, Department of Social and Health Services
Maureen Morris	Deputy Director, Washington State Association of Counties
Marijo Olson	Director, Community Services Division, Department of Community, Trade and Economic Development
Liz Schott	Adjunct Faculty, Seattle University School of Law
Paul Trause	Deputy Commissioner, Employment Security Department
Judy Vadney	Director of Human Resources, Costco
Jill Wakefield	President, South Seattle Community College

LETTER FROM THE CHAIR

October 14, 2005

The Honorable Christine O. Gregoire
Governor, State of Washington

Ms. Robin Arnold-Williams
Secretary, Department of Social and Health Services

Mr. Earl Hale
Executive Director, State Board for Community and Technical Colleges

Ms. Karen Lee
Commissioner, Employment Security Department

Mr. Victor Moore
Director, Office of Financial Management

Ms. Juli Wilkerson
Director, Department of Community, Trade, and Economic Development

Dear Governor Gregoire and members of the WorkFirst SubCabinet:

I am writing to provide the WorkFirst Reexamination Project Workgroup's recommendations. Your charge to us was to find ways to improve the WorkFirst program while securing the \$85 million in savings necessary to balance the WorkFirst budget.

WorkFirst remains a crucial program in helping low-income Washingtonians increase their self-sufficiency toward the goal of getting out and staying out of poverty. This report meets your charge and includes multiple ways the program can be strengthened, such as sharpening and speeding the initial assessment process to identify positive outcomes for clients earlier, and better connecting them with the jobs or training they need.

This report also identifies significant savings that can be secured through better coordination and management by the four participating state agencies and through oversight by the Office of Financial Management. Since the impact of these savings does not reach the initial target of \$85 million, we included some recommendations that we are still hopeful can be prevented if additional funds become available. These include our recommendations to lower the eligibility threshold for child care subsidies and reduce DSHS support service contracts for non-profits.

We are eager to further discuss the contents of this report, and to work with you to improve the program and make it financially stable.

Sincerely,

David S. Harrison
Chair, Reexamination Project Workgroup

TABLE OF CONTENTS

Executive Summary	4
Recommendations	6
Background	9
Methodology	9
Recommendation Process	10
Budget Problem	10
Proposed 2006-2007 Workgroup Budget Recommendation	11
Priority Focus Area Summaries	11
I. Renew Commitment to Client Success and Self-Sufficiency	12
Accountability and Performance Management	12
Local Area Planning	13
WorkFirst Assessment	14
Job Search	15
Unemployment Insurance	16
Education and Training	16
Returns to TANF	17
Sanctions and Time Limits	18
Child-Only Cases	23
Diversion Cash Assistance	26
Child Support	27
Food Stamp Employment and Training	29
Enhance Revenues	29
II. Move the Lowest Income Parents Toward Economic Independence	30
Working Connections Child Care	30
III. Streamline Administrative Processes	33
WorkFirst Staffing – DSHS and ESD	33
IV. Prioritize Contracted Services	35
Community Jobs	35
Minority Report	37
Appendices	42
Appendix A – Washington State WorkFirst Principles	43
Appendix B – Union-Sponsored Focus Group	44
Appendix C – Summary of Public Comments	46
References	49

Executive Summary

A multidisciplinary workgroup was charged by Governor Gregoire to find ways to improve the state's welfare-to-work system and to operate the program within current authorized funding levels. The workgroup made recommendations that will improve policies, operations and services to help WorkFirst clients achieve self-sufficiency more quickly, while keeping WorkFirst costs within its budget during the next two fiscal years.

WorkFirst is Washington State's implementation of the Temporary Assistance for Needy Families (TANF) program, which began in August 1997. This program replaced the previous welfare program, Aid to Families with Dependent Children (AFDC). WorkFirst, which requires parents to participate in work-related activities, has moved hundreds of thousands of low-income Washington families toward economic independence. When funds were available, additional services to low-income families were added to reduce poverty and keep parents working. However, the program's federal funding level has not changed since 1997 and state funds have been removed from the program and used for other purposes. The more than \$1.6 billion biennial WorkFirst budget, which is a combination of federal and state dollars, must reduce costs by about \$85 million, or about five percent in the current biennium.

The attached recommendations of the WorkFirst Reexamination Workgroup represent the first full-scale review of the program since its inception in 1997. These recommendations seek a program that is sharper in its operation, taking better advantage of best practices developed since its inception. Under these recommendations, WorkFirst parents will benefit both from clearer identification of their needs and a

more complete range of immediate tools designed to help them get out and stay out of poverty. These changes will benefit parents who are eligible for TANF cash payments, as well as other parents with low family incomes.

FEDERAL TANF GOALS AS ARTICULATED IN P.L. 104-193

1. To provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives
2. To end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage
3. To prevent and reduce the incidence of out-of-wedlock pregnancies
4. To encourage the formation and maintenance of two-parent families

The WorkFirst Reexamination Workgroup met six times during the summer of 2005 to identify priority questions, review evidence, and make recommendations to achieve a Temporary Assistance for Needy Families (TANF) program that is financially sustainable within TANF "box" funding. The workgroup examined a significant amount of data and received comments from the public and stakeholders in person and on its Web site. Through this process, the group identified opportunities for improvements in service delivery, operational accountability and future revenue enhancements. The workgroup focused on programmatic changes that improved the ability of TANF participants to achieve self-sufficiency sooner. The workgroup did not consider what changes would be made to the program if it had no resource constraints. These recommendations provide a framework for continuous program improvement through enhanced accountability and performance management.

Key among the proposed program changes is a revamped assessment process which will result in a stronger inter-agency partnership to link clients earlier to appropriate support services and to strengthened job search strategies and expanded training opportunities.

Decision Framework

The workgroup used a modified Priorities of Government decision-making framework and categorized potential recommendations into four major focus areas. In each of these areas, the workgroup sought to achieve savings that would protect basic services to parents and strengthen the program's overall operations:

Major Focus Areas

- I. Renew commitment to client success and self-sufficiency by establishing clear personal and program accountability and implementing system improvements.
- II. Focus TANF "box" expenditures on moving lowest income residents toward economic independence.
- III. Streamline administrative processes to more efficiently handle caseload and reduce administrative costs.
- IV. Prioritize contracted services that support the principles of the TANF program, giving the highest priority to basic services and programs.

An initial estimate of the range of potential savings that might be achieved through program improvements and policy and practice recommendations was established for each of the four areas. The workgroup's goal was to present strategies that, when fully

implemented, would result in savings that met or exceeded the \$85 million target. This report assumes that implementation would be for an entire year since data regarding the impact of a phased-in implementation on savings was not available to the workgroup.

The OFM WorkFirst Performance Team and the partner agencies will continue to develop specific cost estimates for the items recommended by the workgroup. Some of these estimates will be refined as OFM and its partner agencies develop specific implementation plans.

The workgroup recommends that the Governor and SubCabinet retain the ability to move resources within the TANF "box" in order to achieve the necessary savings. In the past, this flexibility allowed funding for child care and training for low-income families, as well as those receiving TANF grants. Continuing this flexibility will allow expenditure adjustments between departments and services to meet client needs and achieve required performance.

The WorkFirst program has not remained consistent statewide in its aim of moving Washington families to economic independence. Some offices and areas have outperformed others. Some program elements have been more successful than others.

The workgroup stressed that the consistent application of practice and a more systematic method for identifying and replicating "best practices" in each of the programs and services is necessary for an effective and equitable program.

The following priority focus areas represent a necessary adjustment of WorkFirst's design and delivery to enable it to better serve Washington State's lower income population.

WORKGROUP RECOMMENDATIONS

I. RENEW COMMITMENT TO CLIENT SUCCESS AND SELF-SUFFICIENCY

(ESTIMATED SAVINGS \$15 MILLION TO \$20 MILLION PER YEAR AS MORE THAN 3,000 FAMILIES WOULD NOT NEED ASSISTANCE PER YEAR)

1. Enhance performance management and accountability by all partners.
 - a) Reaffirm the Office of Financial Management's (OFM) role in monitoring partner performance.
 - b) Use the Government Management, Accountability, and Performance (GMAP) process for the WorkFirst program, with monthly monitoring of outcome measures (by SubCabinet 2) and quarterly reporting to the SubCabinet. Establish new program-wide performance measures that are consistent among all partners, and focus on the ability of the program to transition parents to employment.
 - c) Improve communication and collaboration at the local level between partners.
 - d) Improve performance by increasing the consistency of policy and its application in local offices and across the state.
 - e) Develop and implement regional and local office accountability. Ensure that targets are not used to the detriment of successful client outcomes.
2. Use local planning areas to identify and consistently apply local "best practices" that lead to self-sufficiency. Coordinate with Workforce Development Councils when developing Local Planning Area (LPA) plans and in delivering services.
3. Re-engineer the assessment process; evaluate the effectiveness of assessments and align partner roles to get WorkFirst parents the services they need and begin moving toward self-sufficiency. Establish a consistent statewide model for each of the partners.
4. Expedite referrals to job preparation and job search. Increase the proportion of clients engaged in active participation. Continue integration of WorkSource and WorkFirst to enhance client success by giving them access to a more complete range of services.
5. Improve consistency in having WorkFirst applicants access Unemployment Insurance when they are eligible.
6. Expand educational opportunities by providing training for up to one year for a limited number of clients whose assessment indicates this service will result in better outcomes. Monitor the impact of this expanded training on the overall caseload.
7. Explore reasons for clients returning to WorkFirst and develop strategies to reduce the number of returners.
8. Strengthen time limit and sanction policies to stimulate client participation toward self-sufficiency.
 - a) Implement a full-family sanction after six months of non-participation. Conduct a child welfare review prior to issuing a full-family sanction to make certain the welfare of the child or children is protected. Continue to strengthen sanction review processes. (See minority report, page 37.)

- b) Establish mechanisms to consistently apply sanctions and exemptions, including conducting case reviews for clients approaching 60 months and prior to discontinuing benefits. Examine issues of disproportionality in applying sanctions and exemptions.
 - c) Implement periodic reviews of cases, including those who go beyond five years.
 - d) Toughen policies and practices relating to time limits. Reexamine the use of exemptions and limit participation to work-related activities after five years unless an exception is made. Identify the criteria and conditions to be considered in determining continued participation beyond five years, such as periods of major unemployment and other instances where external concerns significantly impede client progress or where barriers remain to self-sufficiency.
 - e) Maintain a safety net for those who are complying with all requirements but are not able to become self-sufficient beyond 60 months.
9. Examine child-only cases to identify strategies for future program or policy changes needed to allow children to remain in the homes of relatives.
10. Improve the effectiveness of diversion assistance, expanding its use when appropriate. Increase knowledge about the reasons families successfully use diversion to prevent a need for ongoing WorkFirst grant funding and improve recovery tools.
11. Increase child support income and consistency of payments for families whose income levels would otherwise put them at risk of not being self-sufficient.
- a) Develop strategies for more effectively addressing non-custodial parents who are not currently making payments.
 - b) Apply successful practices consistently statewide.
 - c) Work with county prosecuting attorneys and local courts to improve child support participation rates and develop strategies to manage child support payment arrears. Explore strategies that emphasize the regularity of child support payments while recognizing other legal obligations that parents may have.
 - d) Recommend that the Legislature review the child support schedule workgroup recommendations.
 - e) Evaluate obtaining a child support pass-through waiver, in part to increase the regularity of payments, a key component of self-sufficiency. (Note: This recommendation would have a net cost to the state.)
12. Continue to pursue the use of Food Stamp Employment and Training federal dollars to help offset educational costs for non-TANF individuals currently provided with TANF dollars.

II. MOVE LOWEST INCOME PARENTS TOWARD ECONOMIC INDEPENDENCE

(ESTIMATED SAVINGS \$10 MILLION PER YEAR)

- 1. Reduce eligibility for subsidized child care from 200 percent to 175 percent of the Federal Poverty Level (FPL). (See minority report, page 37.)

III. STREAMLINE ADMINISTRATIVE PROCESSES TO MORE EFFICIENTLY HANDLE CASELOAD
(ESTIMATED DSHS SAVINGS \$7.0 MILLION TO \$9.0 MILLION PER YEAR)

1. Reduce DSHS's TANF staffing to reflect the gain in efficiency resulting from improvements in the assessment process and quicker, more robust engagement of clients in activities that will lead to self-sufficiency.
2. Reduce managers and regional support staff.
3. Reduce administrative overhead charged to the TANF program.
4. Automate or adjust administrative procedures for vendor payments, service authorizations, and client referrals to reduce the staff time needed.
5. Consider statewide consolidation of regional document management systems for additional staff savings.

IV. PRIORITIZE CONTRACTED SERVICES THAT SUPPORT THE PRINCIPLES OF THE TANF PROGRAM
(ESTIMATED SAVINGS \$7.8 MILLION TO \$9.1 MILLION PER YEAR)

1. Modify referrals to the Community Jobs program so that only those clients least likely to succeed in attaining unsubsidized employment participate. Identify program improvements and efficiencies to reduce program costs.
2. Reduce Community and Technical College funding by enhancing efficiency, and training selected students for longer periods than the 22-week maximum normally applied, thus enabling use of Pell Grants and state community college FTE dollars. Give TANF parents priority for education and training activities subsidized by TANF funds. Identify program improvements and efficiencies to reduce program costs.
3. Maintain FY 2005 spending for child care contracts in FY 2006 and FY 2007.
4. Reduce local contracts and support services budgets.
5. Use protective payees where necessary in sanction cases, rather than requiring them in all instances.
6. Engage in discussions with tribal leaders on the growth in state spending on Tribal TANF. Review performance requirements for state maintenance of effort (MOE) funds. (Note: This issue was deferred by the workgroup.)

TOTAL FOR PACKAGE: \$39.8 TO \$48.1 MILLION ANNUALLY WHEN FULLY IMPLEMENTED.

BACKGROUND

In 1997, Washington State eliminated the entitlement to public assistance and established the WorkFirst system. This significant policy change mirrored the new federal requirements for the Temporary Assistance for Needy Families (TANF) program. The core element of the program was to help low-income parents find work and not need public assistance. Oversight of the program was given to the Executive Branch with outcomes identified by the Legislature for reducing caseload, improving job retention, increasing earnings, and placing recipients into private sector, unsubsidized jobs.

Additional funding became available in the early years of the program due to a significant caseload reduction. Additional services were added to help poor, working families get employed and stay employed. The program reinvested its funds for both TANF parents and other low-income wage earners in expanded subsidies for child care and training. Specialized programs, such as Community Jobs, were developed to meet the needs of those least ready for employment. Performance measures to monitor the system were put into place. In addition, legislative actions transferred more than \$300 million in state funds from the TANF “box” for other social welfare and general fund uses.

For a variety of reasons, funds that were available for the TANF program have become more constrained over time. For the last few fiscal years, program expenditures have exceeded revenues. Savings from previous years and one-time underexpenditures from other Department of Social and Health Services (DSHS) programs have helped fill the gap. For fiscal year 2006, resources are not sufficient to continue the current programs at their present level.

In June 2005, the WorkFirst SubCabinet, made up of five agency directors, proposed to Governor Gregoire that a workgroup be established to reexamine the current welfare program. The workgroup convened late in June and met through September. The workgroup’s task was to develop specific recommendations to improve the program and to make it more financially sustainable.

The workgroup, chaired by David S. Harrison, senior lecturer at the University of Washington, identified key principles to guide the group:

- Seek recommendations that are likely to advance program goals.
- Minimize the impact on children.
- Identify areas where savings are not speculative, but can clearly be realized.
- Make certain recommendations are administratively and politically feasible.

METHODOLOGY

The workgroup identified specific guidelines for approaching their task and completing their work in a timely manner:

- Focus on strategies that are proven to work and maximize the impact of the dollars available for TANF clients.
- Refer promising ideas and strategies that do not fit in the scope of this review to the WorkFirst SubCabinet and the Governor for future consideration.
- Maintain consistency between TANF program goals, policies and actions.
- Make recommendations that conform to federal requirements and are consistent with federal legislative goals, but which also advance the state’s goals.

- Make recommendations based on actual cost reductions rather than cost shifts.

The workgroup reviewed evidence from Washington State as well as other states about the results of welfare strategies and activities. In the short time in which the group had to conduct its work, it examined current services, activities, expenditures, client requirements, performance, and program governance to identify more cost-effective alternatives, including increasing the coordination among agencies and programs within the TANF “box.” The workgroup developed a set of recommendations based on the premise that resources are limited and no additional funding would be available to support the TANF box.

RECOMMENDATION PROCESS

The workgroup attempted to achieve full consensus. Consensus was achieved in most areas, particularly those that did not result in reductions in services. A minority report is included at the end of this report (page 37). The workgroup deferred examining and making recommendations regarding the growing Tribal TANF costs, recognizing these discussions must be made in a government-to-government setting and should recognize the broader context of other human service programs participated in by the State and individual tribes.

BUDGET PROBLEM

The WorkFirst 2005-2007 biennial budget assumes approximately \$1.6 billion in revenues to cover an estimated \$1.7 billion in expenditures. The \$1.6 billion in revenues is a combination of federal and state dollars. The goal of the workgroup was to identify spending reductions of approximately \$85 million, or five percent, over the next two years. The program’s federal funding has not changed since 1997 and state funds have been removed from the program by the Legislature and used for other purposes. The workgroup’s objective was to accomplish the goal of balancing the budget in ways that would sharpen the focus of WorkFirst’s mission to help the state’s 57,000 welfare families take steps toward getting out and staying out of poverty.

The WorkFirst program, as it is currently designed, is not financially sustainable. The following table provides an overview of projected funding for the fiscal years 2006 and 2007 by major focus area and activity or program and the workgroup’s recommendations regarding reductions in spending. The figures provided in this table reflect a \$20 million reduction already taken this biennium by the Employment Security Department for job search activities.

Workgroup's Proposed 2006–2007 Budget Recommendation

Item	Preliminary FY 2006	Preliminary FY 2007	Workgroup Savings Per Year	% Change FY 2006
I. Renew commitment to client success and self-sufficiency				
TANF Grants*	\$ 283,500,000	\$ 284,900,000	\$ (15,000,000)	-5.3%
DSHS Diversion Assistance	\$ 8,500,000	\$ 9,500,000	0	0.0%
OFM WorkFirst Contract	\$ 508,000	\$ 508,000	0	0.0%
II. Focus TANF box expenditures on lowest income residents				
Child Care Subsidies*	\$ 249,800,000	\$ 251,900,000	\$ (10,300,000)	-4.1%
III. Streamline administrative processes				
DSHS Financial and Social Support Services	\$ 87,000,000	\$ 87,000,000	\$ (5,500,000)	-6.3%
DSHS Overhead (included above)	\$ 15,000,000	\$ 15,000,000	\$ (1,500,000)	-10.0%
ESD Job Placement Services	\$ 18,057,421	\$ 18,057,421	0	0.0%
IV. Prioritize contracted services				
Child Care Contracts	\$ 24,268,855	\$ 24,268,855	\$ (700,000)	-2.9%
DSHS Client Services and Support	\$ 14,577,884	\$ 14,577,884	\$ (3,600,000)	-24.7%
ESD Support Services	\$ 3,909,790	\$ 3,909,790	0	0.0%
SBCTC Contract	\$ 23,891,600	\$ 23,891,600	\$ (1,700,000)	-7.1%
CTED Community Jobs and Other	\$ 14,906,000	\$ 14,906,000	\$ (1,800,000)	-12.1%
Small Projects Contract				
Tribal TANF Programs	\$ 38,200,000	\$ 40,047,000	0	0.0%
No Category				
Additional Benefits (grants for specifically identified needs)	\$ 6,000,000	\$ 6,000,000	0	0.0%
DSHS Other (Children's Admin)	\$ 38,028,000	\$ 38,028,000	0	0.0%
TOTAL TANF BOX EXPENDITURES	\$ 826,147,550	\$ 832,494,550	\$ (40,100,000)	-4.9%
Current Revenue Estimates	\$ 779,950,754	\$ 779,950,754		
Difference	\$ (46,196,796)	\$ (52,543,796)		
<i>*Minority opinions</i>				

PRIORITY FOCUS AREA SUMMARIES

The workgroup examined several focus areas to identify opportunities for program improvements, efficiencies, and savings. Staff from the OFM, DSHS, DCTED, ESD, and the SBCTC worked collaboratively to provide the data and analysis, enabling the workgroup to make its recommendations on the best evidence available.

Additional data were collected through testimony provided by advocates, providers and interested parties. Two websites collected comments regarding the WorkFirst program and the Reexamination Project. Comments from these are summarized in Appendix C. In addition, the Washington Federation of State Employees convened a focus group of represented employees to provide recommendations for system improvements and efficiencies, which are identified in Appendix B